

Resolution No.:	<u>15-919</u>
Introduced:	<u>February 15, 2005</u>
Adopted:	<u>March 8, 2005</u>

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Councilmember Nancy Floreen and Council President Tom Perez

SUBJECT: Condominium Transfer Tax Funds Must Not Supplant the General Fund
Appropriation to the Montgomery Housing Initiative Fund

Background

1. State law empowers the County Council to levy by resolution a transfer tax of 4% on the transfer of a residential rental unit when it becomes a condominium.
2. Sec. 52-21(f)(3) of the County Code requires that balances from the condominium transfer tax must be transferred into the Montgomery Housing Initiative Fund.
3. These funds may be spent to construct or acquire affordable housing units, buy and rehabilitate existing rental units that would otherwise be removed from the supply of affordable housing, and participate in housing or mixed-use developments that will include affordable housing.
4. On March 25, 2003, the County Council adopted Resolution 15-110 – Dedicated Funding for Affordable Housing, which recommended that beginning with FY04, an allocation from the General Fund to the Montgomery Housing Initiative Fund of an amount sufficient to ensure the availability of \$16.1 million or the equivalent of 2.5% of actual General Fund property taxes from two years prior to the upcoming fiscal year, whichever is greater, for the purpose of maintaining and expanding the supply of affordable housing in Montgomery County.
5. Market forces are encouraging owners of multi-family rental residential buildings to sell or transfer the buildings and become condominium enterprises. Housing authorities expect a number of rental buildings to change status in the next several years resulting in an unexpected increase in condominium transfer taxes.
6. The sudden switch of buildings from rental to condominium will increase the price of housing and displace a large number of families currently residing in affordable rental units. This will increase the demand for even more affordable rental housing than had been previously anticipated. Housing authorities indicate it could reach crisis proportions. Because of this critical situation, it is imperative that to ensure additional resources be available to preserve and increase Montgomery County's stock of affordable

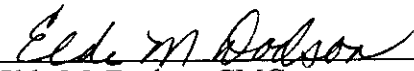
housing. The expected increase in condominium transfer taxes can assist in achieving this goal. Accordingly, it is critical that this increase in transfer taxes not be used to supplant the County's annual appropriation to the Montgomery Housing Initiative Fund.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

The condominium transfer tax revenues received in Fiscal Year 06 transferred into the Montgomery Housing Initiative Fund must not supplant the appropriation of \$16.1 million or the equivalent of 2.5% of property taxes, as approved in Council Resolution 15-110 – Dedicated Funding for Affordable Housing. The Council will review this policy for transfer tax revenues that will be received in Fiscal Year 2007 and beyond.

This is a correct copy of Council action.



Elda M. Dodson CMC
Acting Clerk of the Council